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REPORT NO. 2021-23

TO: Megan Ross, Director
Utilities Department

FROM: Melissa Dondero, Inspector General/Chief Audit Executive *MD*
Division of Inspector General

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller
Jeanette Phillips, Chief Deputy Director, Finance Division
The Honorable Chairman and Members of the Board of County Commissioners
Barry Burton, County Administrator
Jill Silverboard, Deputy County Administrator/Chief of Staff

SUBJECT: Inspector General's Follow-Up Audit of the Observation of the William E. Dunn
Water Reclamation Facility's Annual Physical Inventory of Fixed Assets

DATE: October 25, 2021

This letter serves to inform you that the Division of Inspector General has completed a Follow-Up Audit of the observation of the annual physical inventory of fixed assets for the William E. Dunn Water Reclamation Facility (Dunn Facility). The purpose of our follow-up review was to determine the status of previous recommendations for improvement.

The objectives of the original audit were to:

1. Interview and observe staff conducting the department's physical inventory to determine compliance with required inventory procedures.
2. Test and verify, on a sample basis, the assets recorded by staff.

To determine the status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the implementation of the recommendations for improvement.



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Our follow-up audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. We performed our follow-up testing during the months of September through October 2021. The original observation of the annual physical inventory of fixed assets was completed on August 3, 2020. However, transactions and processes reviewed were not limited by the audit period.

Of the three recommendations contained in the original audit report, we determined management implemented all three recommendations. We commend management on the implementation of the recommendations.

Below reports our follow-up on actions taken by management on the recommendations for improvement in our original Observation of the William E. Dunn Water Reclamation Facility's Annual Physical Inventory of Fixed Assets. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

An Asset Was Assigned To The Wrong Location.

During our preliminary review of the Dunn Facility's fixed asset inventory report, we noted only one asset, tagged 129604, was recorded in the Dunn Facility's water location. The fixed asset inventory report reflected the Dunn Facility had 198 assets, 197 assigned to the sewer location and only one assigned to the water location.

During our fixed assets inventory observation, management stated it was under the assumption that all assets assigned to the Dunn Facility's water location had been transferred to the sewer location in OPUS. Management stated it previously determined there was no longer a need for a separate water location for the Dunn Facility. However, on March 13, 2020, when asset tagged 129604 was placed in service, the Dunn Facility record keeper assigned the asset to the water location.

Our sample included 40 assets, or approximately 20% of the total population. We observed and tested 25 assets "Book to Floor" (assets selected from the inventory report and traced to their physical location) and 15 assets "Floor to Book" (assets observed during the physical inventory and traced to the inventory report). The asset tagged 129604 was observed on August 3, 2020, while conducting our audit at the Dunn Facility. The asset was included as part of the overall "Floor to Book" sample.

Management was unaware the newly purchased asset was assigned to the water location in OPUS. Management stated the asset should have been recorded to the sewer location in OPUS when it was purchased. Subsequent to our inventory observation, management transferred the asset tagged 129604 to the Dunn Facility's sewer location in OPUS.

Assets assigned to the wrong location increase the risk of an annual physical inventory of fixed assets being completed incorrectly due to uncertainty regarding asset locations. There

is also an increased risk of assets not being accounted for and possible misappropriation of assets.

Assets should be categorized under the appropriate location to ensure accurate record-keeping and efficient observation.

The Finance Division's "Dept. FA Processing" (FA 300) course guidelines state the following:

"It is the responsibility of the department to help ensure that asset records are complete and accurate. . . . Record Keepers are responsible for . . . maintaining accurate and complete capital asset records. They must make sure Oracle asset records are correct."

We Recommended Management:

- A. Collaborate with the Finance Division to transfer the asset tagged 129604 from the Dunn Facility's water location to the sewer location.
- B. Eliminate the custodian form assigned to the Dunn Facility's water location.
- C. Deactivate the Dunn Facility's water location in OPUS to refrain from further usage.

Status:

- A. **Implemented.** We generated and reviewed the most recent OPUS inventory report and verified management transferred the asset tagged 129604 from the Dunn Facility's water location to the sewer location.
- B. **Implemented.** By management transferring the asset tagged 129604 from the Dunn Facility water location to the Dunn Facility sewer location and deactivating the water location, this eliminates the custodian form for the water location.
- C. **Implemented.** We generated and reviewed the most recent OPUS inventory report and verified the Dunn Facility water location no longer exists.

We appreciate the cooperation shown by the staff of the Dunn Facility during the course of this review.